Connecticut General Assembly

The Energy and Technology Committee

March 15, 2011

Raised Senate Bill No. 1, *AAC Concerning Connecticut's Energy Future*

Testimony of Dominion Retail, Inc.

My name is William Barkas, and I am Manager of State Government Relations for Dominion Retail, Inc. My company is a licensed retail electric supplier with more than 770,000 electric customers in nine states, including about 80,000 small mass market customers in Connecticut together with our business partner, Levco Energy. Overall, we serve more than 2.1 million retail customers in 12 states.

Senate Bill 1

In this voluminous bill there are certain provisions that we can support such as enhanced consumer protections, but there are other sections of the legislation that would be detrimental to customer choice or have no apparent benefit to retail electric consumers. At a time when retail choice has finally begun to meet our expectations of success, with about a 40 percent shopping rate in the state with a multitude of supply alternatives, it is hard to understand why certain legislation would be proposed that would reverse the progress that retail choice has made in recent years.

For example, in Section 52 (n) of the bill, the DPUC would be instructed to initiate a proceeding to determine the cost of billing solely for the benefit of suppliers and aggregators. The DPUC already has a proceeding underway (Docket No. 10-06-24, *DPUC Review of the Current Status of the Competitive Supplier and Aggregator Market in Connecticut and Marketing Practices and Conduct of Participants in That Market)* that is carefully examining issues similar to this one. We recommend that the DPUC be allowed to carry out its review of these types of issues before new legislation is adopted. Dominion Retail has always maintained its willingness to assume certain reasonable, incremental costs of implementing retail choice programs. As we have testified in the current DPUC docket, the utilities already have existing fee structures in their tariffs for additional services. Furthermore, one utility has testified that the only incremental cost associated with consolidated billing is the cost of setting up supplier rates in its system initially. If the utilities are looking for ways to increase their own revenues, they may wish also to consider filing rate cases with the DPUC, not distorting the retail choice program through unjustified fees.

Section 53 (a) would require marketers with consumers who have a demand greater than 100 kW to do their own billing or pay a pro rata share of the utility's billing costs. In the case of suppliers who decide to direct bill, their customers would receive a credit on their monthly bill. In other words, if a customer prefers to receive a consolidated bill from his utility for which he has for many years been paying the utility for his billing and development costs, that utility would no longer provide that service or else the supplier would be required to subsidize the utility's business as the customer continues to also pay the utility for billing. The utility would then be receiving a double payment for the same service. If the supplier is required to subsidize the utility, it undoubtedly will then bill the customer for those costs, thereby forcing the consumer to pay twice for the billing service-- once to the supplier and once to the utility as is the current practice.

Lost in this legislative language is a clear understanding of how utility billing services are currently being provided and financed. Some simple facts need to be made clear: 1) the utilities that provide consolidated billing for their own Standard Service customers and choice customers are not absorbing the cost of billing at the expense of their own shareholders—they have not been doing it for free. Rather, they are currently being paid for those services by all ratepayers, including shopping customers; 2) if the utilities believe they are not being adequately compensated for these services they can file rate requests with the DPUC or they can exercise their right to collect certain fees under their existing tariffs; 3) an attempt to shift billing costs to suppliers will likely result in suppliers passing those costs on to their shopping customers who are already paying the utilities for those costs, thus forcing shopping customers to pay twice and the supplier would only be acting as the collection agent for the utility. This convoluted approach to collecting billing costs benefits no one and would be a time consuming, unnecessary waste of time and resources with no apparent benefit to consumers. We recommend that the Energy and Technology Committee seriously re-consider this legislative language, consider what it really wants to accomplish in this regard, and the negative consequences of adopting this bill as currently drafted.

Under Section 54 (f) (2) new language is proposed regulating sales and solicitations. It is unclear why new language is needed, given the existence of the Home Sales Solicitation Act. Many issues and concerns over existing marketer practices could probably be eliminated through enforcement of existing statutes and regulations rather than developing new statutory requirements. We do appreciate the need for consumer protections and generally are supportive of such efforts to develop rules that will protect consumers from abusive marketer practices while not harming the legitimate business practices of reputable marketers. We recommend in this Sec. 54, (B), concerning door-to-door sales, that the Committee consider including multi-level marketing (MLM) practices due to the very pervasive and fast-growing nature of this marketing channel.

In Sec. 54 (f)(5) an additional requirement is proposed that would impose new reporting requirements on marketers who might purchase additional renewable energy credits. We see no rationale for this extra burden – certainly no benefit but with additional time-consuming effort and expense. We therefore request this Committee delete this paragraph.

We consider Section 55 particularly objectionable because it would require licensees to offer a TOU rate with a peak period price five times the standard nonpeak use rate. This rate would be almost punitive with no justification and is outside the sphere of what retail market participants offer or desire. The legislation appears arbitrary and also one-sided in that it does not require the same of the electric utilities. However, the utilities would presumably have to be able to provide billing services for this mandated pricing option which would likely require significant expenditures in order to meet the legislation's mandate.

Section 66 (d) states that "The costs of procurement for standard service shall be borne solely by the standard service customers." This sentence should be clarified to state that such costs should be allocated to the generation portion of customer charges so as not to distort market prices by potentially allocating such charges to all distribution customers.

In Section 67 the newly-created DEEP Bureau of Public Utility would be instructed to initiate a proceeding to consider the "buy down" of utility companies' current standard service contracts. Such a docket hardly seems necessary considering that the utilities have no long term contracts and they are benefiting from falling wholesale electric prices as their portfolio of contracts begin to reflect current market conditions. If such a "buy down" is adopted, the DEEP should be instructed to properly allocate the buy-out costs to standard service customers' generation charges to avoid any market distortions and harm to the retail choice program.